

ch/DP/5
~~SECRET~~
ED/EC M-257

July 23, 1957

EXECUTIVE COMMITTEE OF THE
ECONOMIC DEFENSE ADVISORY COMMITTEE

MINUTES

10:00 a.m., Thursday, July 18, 1957
Room 1213 Malatico

Attendance

MDAC

Mr. Hale, Chairman
Mr. Wight
Mr. Kramer, Executive Secretary
Mrs. Lese, Committee Secretary

ICA

Mr. Slaght

State

Mr. Henderson
Mr. Mark

CIA

Mr. [REDACTED] 25X1A9a

Treasury

Mr. Sommerfield

Commerce

Mr. George

Defense

Colonel Green

Agenda:

1. II. II Quotas for China.
[REDACTED]

25X1A2g

25X1A2g

~~SECRET~~

-2-

1. IL II Quotas for China.
(Ref. [REDACTED] NIACT 149; TOPOL 161)

Decision

25X1A

State will respond to POLTO 149 advising that Washington cannot supply an immediate reply on the bearings situation as further study is required.

The Committee members will check with the EDAC members to determine whether they wish to proceed on the item basis suggested on one of the three alternative approaches. (See last paragraph.)

A joint Executive Committee-Working Group I meeting will be held on Friday, July 19, at which time it is hoped the members will be prepared to state agency positions on the approach to be pursued.

Discussion

The Chairman informed the members of State's request for consideration of the bearings situation at this meeting in order that an instruction might be sent to the Del tonight for his use in the discussion of this problem tomorrow in CHINCOM.

The State member was of the view that a response concerning bearings could be made to the Del promptly if it were possible to reach agreement in the Committee along the lines on which he had been instructed. He added that for the Del's immediate need there was no necessity for instructions on other than bearings to go out today.

25X6A

He then proceeded to explain the "package" deal which the Department envisaged. It is an offer to the [REDACTED] primarily to come as close as possible on items 2601 and 2450 in return for support to raise the other 23 items. This does not address itself to the problem of prior consultation or prior notification. The support of the [REDACTED] is also being sought in proposing the upgrading of three or four items, and a general review of some specific items to determine if they have strategic implication for Communist China. It is not the intention of the Department to make the support on these two issues a condition for our granting concessions. Attempts are also being made to have [REDACTED] officials meet in Washington with American officials regarding item 2450. It is hoped that this approach may provide some delay on item 2601. It was planned to dispatch a message to [REDACTED] today outlining the above.

25X6

25X6A

The Commerce member felt this approach implied it was the U. S. belief that if we agree with [REDACTED] the other PCs will follow suit. He did not believe this line of thinking had the degree of merit it once had. The Defense member concurred with this view. 25X6

[Agreement in the Committee was not reached on this approach and consequently the message was not sent.]

SECRET

-3-

At the State member's suggestion the Committee examined the items outlined in POLTO 181 to determine the extent of agreement and the various compromise proposals.

The Commerce member raised the question of what could be done if agreement on an item could not be obtained. The alternatives, he noted, were: the COCOM Chairman could rule 3(d), or one or more countries could refer the matter to the CG.

The State member replied that we would not want the problem to go to the CG. This would only be a delaying action as the CG would not meet until September and the quota exercise should be put into effect immediately. Further, we should reserve the CG for the general list review we desire. We therefore will have to make concessions on some items and let the rest go 3(d), or let the whole thing go 3(d).

The Commerce member felt there were four points to be considered by the Executive Committee:

1. Whether the U. S. can find a compromise position on the items at issue which will permit reaching an accepted agreement with PCs;
2. For items which are disagreed will U. S. accepts a 3(d)?
3. Is a package proposal possible
 - (a) on an individual item basis;
 - (b) on the basis of single global quota for all IL II items?
4. Is the U. S. willing to take any of the residual issues either on items or principles to the CG?

The Defense member believed the problem should be referred to EDAC. He said we have a principle to uphold, these are strategic items, he did not feel a "basket" deal was the answer, and, further, if we now come up to whatever the other countries come down to it is a complete surrender. We will be capitulating to a commercial demand.

The Chairman stated that he would not like to ask EDAC whether or not there should be a basket proposal, though we could ask EDAC whether or not the U. S. ought to proceed to the CG in order to settle the List II quotas for China for 1957.

The Commerce member suggested that we note in the message to the Del tonight that there has been some delay in our receipt of the reports of the Paris meetings and that we are unable to prepare instructions today for tomorrow's meeting in Paris and will require more time for consideration.

SECRET

SECRET

-4-

25X6

It was the judgment of the Committee that bilateral discussions with [REDACTED] should not be held until we have further opportunity to consider several of the questions.

It was deemed advisable to instruct the USDEL, in the event that the chair rules 3(d) on hearings, to say he has no authority to agree and has to report back to his government.

The State member outlined a series of alternatives on which he would seek guidance within the Department and members agreed to consult with their EDAC members on those alternative courses of future action on this problem.

Alternative approaches:

1. An item by item review which would
 - a. Identify items on which agreement has been reached or can easily be reached;
 - b. Identify items on which agreement could be reached if U. S. policy is determined to be that it is worthwhile to make substantial concessions in order to reach agreement;
 - c. Identify items on which the maximum conceivable concessions by the U. S. would be insufficient to obtain agreement and appeal to other PCs to make concessions toward the U. S. views on those items in return for U. S. compromise in b above, it being understood that if the other PCs would make substantial concessions on the items in c, the U. S. would go part way to meet them.
2. An overall global basket approach with draw down restrictions to be determined.
3. Acceptance of 3(d) ruling on all items not already agreed and withdrawal from negotiations.
4. Appeal China quota review issue to CG and withdraw from negotiations.

Distribution:

ED List Parts I & II
WG I (Limited)

SECRET